

Covid-19: What measures to prevent business failures?

While French households are beginning to organize themselves, French companies are seeking to protect themselves against the devastating financial effects of Covid-19.

As early as March 12, 2020, i.e. the date on which **French President Emmanuel Macron** announced the nationwide shutdown of childcare centers, schools and universities, the French Government started implementing an exceptional and massive partial unemployment mechanism as well as the possibility for all companies to defer the payment of social security contributions and taxes due in March 2020, without any penalty being due^[1].

A growing number of measures are being taken since the **French President** announced the confinement of the entire population across the territory, effective as of March 17.

Exceptional circumstances call for exceptional measures. It is indeed absolutely essential to protect and support companies during this highly critical period, until the crisis eases.

This protection and support involve not only a **temporary easing of the burdens** on companies, but also the possibility of **benefiting from external liquidity** to balance companies' operating accounts.

Many companies have already taken the necessary steps to defer the repayment of their outstanding bank loans^[2] and the payment of their charges and taxes^[3], and to implement partial unemployment^[4].

For the most affected Small- and Medium-Businesses, the Minister of the Economy and Finance has confirmed the suspension of water, gas and electricity bills as well as the payment of rent installments. Through these measures, the Government intends to limit as much as possible payment defaults which are the dreaded precursor to bankruptcy.

Although the Minister of Justice has announced the shutdown of the courts - with the exception however of "*essential litigation*" that will continue to proceed - nothing has yet been specified concerning **commercial courts**. However, in the current fragile economic context, it is to be feared that there will be an influx of cases concerning distressed companies.

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Commercial courts judges are awaiting clarification – which is hopefully imminent – from the **Ministry of Justice** on the measures and instructions to be implemented.

As the first line of support for managers before commercial courts in case of financial difficulties, **receivers, administrators and court-appointed agents**, in conjunction with the commercial court judges and magistrates and the **Ministry of the Economy**, will open a toll-free number (0 800 94 25 64) from Monday March 23 to advise companies on the actions to be taken and inform them of the various available support measures.

Procedures for the prevention of business difficulties such as the *ad hoc* mandate or conciliation procedures, designed to avoid receivership or compulsory liquidation through the conclusion of a confidential agreement to reschedule the company's debt, are still in force. However, their implementation should be reduced in view of the measures that have been adopted to make the payment of social security contribution, taxes and bank charges more flexible.

As early as March 15, the **French Banking Federation** announced that French banks were fully mobilized and presented the business support measures that had been decided by the banking institutions^[5].

In addition to these measures, the State should provide 300 billion euros in government loan guarantees to encourage the massive release of financings.

Invited by various media, Mr. Nicolas Dufourcq, Head of **BPI France** (France's State-backed investment bank), presented two days ago the aid scheme put in place for SMBs.

In practice, this mechanism takes two forms: the guarantee of private bank loans granted by banks and the granting of loans by BPI France, without guarantees, for a period of 5 years, which can go up to 7 or even 10 years.

The conditions for granting this type of financing are still to be defined and the French Parliament should quickly authorize a dedicated budget line. BPI France has reportedly already received nearly 3,600 applications from companies. Still according to the Head of BPI France, several tens of millions of euros in cash have already been injected.

As the switchboard for toll-free number that had been created (0 969 370 240) has been very quickly saturated, it is recommended to go to the website www.bpifrance.fr.

As the situation is changing from day to day, we will keep you informed of further developments and details on the implementation of the arsenal of measures taken by the government. Stay tuned...

[1] <https://www.economie.gouv.fr/coronavirus-soutien-entreprises#>

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https://minefi.hosting.augure.com/Augure_Minefi/r/ContenuEnLigne/Download?id=AA250A5D-9FF3-4C32-AAE6-3F07C19C8739&filename=987%20bis%20CP-ACOSS%20DGFIP.pdf

[2]

<https://www.impots.gouv.fr/portail/actualite/coronavirus-covid-19-mesures-exceptionnelles-de-delaies-ou-de-remise-pour-accompagner-les>

[3] <https://www.economie.gouv.fr/mesures-exceptionnelles-urssaf-et-services-impots-entreprises>

[4]

<https://travail-emploi.gouv.fr/actualites/presse/communiqués-de-presse/article/coronavirus-covid-19-et-monde-du-travail>

[5] Press release from the French Banking Federation:
<http://fbf.fr/fr/files/BMQP34/CP%20FBF%2015%20mars%202020%20-%20Coronavirus%20mobilisation%20totale%20des%20banques%20fran%C3%A7aises.pdf>

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